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WILLIAMS CHARTERED ACCOUNTANTS

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Streamlining your business:

Strategies to speed up customer payments and improve cash flow

Begbies Traynor, a firm of business rescue and recovery specialists, have published their latest Red Flag Alert based on financial data from the last quarter of 2023.

It makes worrying reading as they estimate that more than 47,000 businesses in the UK are near collapse because of being in critical financial distress.

This is a startling increase of 25.9% from the previous quarter, with particular concern raised for the construction and real estate sectors.

Of course, the Christmas trading period and an expectation that inflation will continue to fall and interest rates with it, provide some counter to any pessimistic claims.

However, in the face of such worries, your attention may naturally turn to optimising cash flow, which is essential for sustained growth and success.

One key aspect that significantly impacts a company's financial health is how quickly customers pay you.

Efficiently managing and improving the speed at which customers pay can bolster your cash flow, improve liquidity, and contribute to overall business resilience.

Here are some strategies that can help you to streamline and speed up the payment process.

1. *Clear and transparent invoicing*
   Make sure that your invoices are clear and easy to understand. Show itemised charges so that a customer knows exactly what they are being charged for and include detail of payment due dates and accepted payment methods. Transparency in your billing process fosters trust and can lead to faster payments.

2. *Use digital payment platforms*
   Digital payment solutions provide convenience to your customers. Offering options like online payments, credit cards, and electronic fund transfers can significantly reduce the time it takes for funds to reach your account. Digital platforms not only speed up the payment process, they also enhance accuracy.

3. *Implement automated payment reminders*
   Set up automated reminders to gently prompt customers about upcoming or overdue payments.
   Automated systems can be customised to send emails or notifications and can help avoid misunderstandings and encourage timely payments.

4. *Reward early payments*
   Consider offering discounts or other incentives for customers who pay their invoices promptly. This strategy can motivate clients to prioritise your invoices and settle their accounts faster to take advantage of the benefits you provide for early payments.

5. *Establish clear payment terms*
   Clearly communicate payment terms and conditions upfront. Whether it's 15 days, 30 days, or any other arrangement, ensure that your customers are aware of what you expect regarding payment timelines. Setting clear expectations can help manage customer behaviour and get them to align them with the payment schedule you want.

6. *Build strong customer relationships*
   Cultivate strong, positive relationships with your customers. Businesses are often more inclined to put first payments to suppliers they trust and have a good working relationship with. Regular communication and exceptional customer service can all contribute to quicker payments.

7. *Use invoice financing or factoring*
   In cases where immediate

cash flow is crucial to you, explore *invoice financing or factoring services*. These financial tools allow you to receive a percentage of the invoice amount upfront, with the remaining balance paid when the customer settles the invoice. While there are usually costs associated with these services, they can provide a quick infusion of cash if this is what you need.

In conclusion, speeding up customer payments needs a combination of clear communication, strategic use of technology, and a customer-centric approach.

A seamless and transparent experience for your customers will translate into more prompt payments.

By implementing these strategies, you can streamline your payment processes, improve cash flow, and build a solid foundation for sustainable growth.

Cuts to National Insurance rates benefit January pay packets

The 12% to 10% employees national insurance rate cut first announced in the Autumn Statement came into effect in January.

This means that many employees will have seen a boost in their take home pay in their January pay packet.

HM Revenue and Customs launched a tool (https://www.tax.service.gov.uk/estimate-jan-24-nic-changes) that enabled workers to estimate how the changes will affect them.

The government is naturally keen to emphasise its generosity in this measure and have claimed that a household with two average earners will be starting to see a yearly benefit from the cut of almost £1,000.

Naturally, how much benefit earners receive will depend on how near the average their earnings are.

The rate reduction only applies to employees' national insurance, and not employers' national insurance.

This means there is no direct saving for businesses.

However, with many businesses under stress to grant pay rises that will combat the increasing cost of living, the reduction may prove to be a helpful component of pay strategy.
See:
https://www.gov.uk/government/publications/changes-to-national-insurance-contributions-from-6-january-2024

Pizzeria owner banned for six years for employing illegal workers

The owner of a pizzeria in Cumbria who failed to conduct right-to-work checks when hiring two illegal workers has been banned from acting as a company director for the next six years.

The workers were found when the premises were visited by *Immigration Enforcement in October 2020*.

Immigration Enforcement subsequently handed the business a £20,000 fine, which remained unpaid at the liquidation of the company.

The owner, Dondu Ozmicco, was the sole director of NM Catering Ltd from its formation in 2019 until it was liquidated in March 2022.

The Chief Investigator at the Insolvency Service, Kevin Read, said: "Dondu Ozmicco's failure to ensure the required right-to-work checks were carried out led to the employment of two illegal workers, in contravention of the ***Immigration, Asylum and Nationality Act 2006***.

This represents a serious breach of legislation and of the standards expected of company directors.

As a result of this breach, she cannot be involved in the promotion, formation, or management of a company in the UK until January 2030."

A case like this serves as a stark reminder of the vital importance of conducting right-to-work checks when hiring new staff.
See:
https://www.gov.uk/government/news/six-year-ban-for-pizzeria-boss-who-employed-illegal-workers

No final decision yet on a digital pound

The Bank of England and HM Treasury have published their response to a consultation on a digital pound that was started in February 2023.

The proposals for a digital pound include:

- It would complement the role of cash and give people and businesses more choice in how they make and accept payments.
- The Bank of England would issue it and it would be convenient and widely available.
- It would hold the same value as the equivalent banknote or coin, i.e., £10 of digital pound would always be worth the same as £10 in banknotes or coins.
- It would be easily exchangeable with other forms of money, such as cash.
- The public and businesses would access their digital pounds through digital wallets offered by the private sector through smartphones or smartcards.
- It would be intended for payments online, in-store, and between individuals. It would not be used for savings, and it would not pay interest.
- At least initially, there would be restrictions on how much a business or individual could hold.

A digital pound would be a claim on the Bank of England, like banknotes. So, it would have intrinsic value and be stable, unlike cryptoassets that are unbacked.

There has been no final decision to pursue a digital pound, but work will continue to explore its feasibility and potential design choices.

Feedback received from the consultation seems largely to have been supportive, however concerns have been raised about what a digital pound implies for access to cash, privacy for users, and control of their money.

The published response has confirmed that legislation would be introduced to protect and guarantee users' privacy and control if the decision to go ahead does occur.

It also confirms that neither the Bank of England nor the government would have any access to personal data and users would be free to spend their digital pounds as they choose.

While there is no final decision yet, clearly there is a willingness to continue considering the idea of a digital pound and this is unlikely to be the last word on the subject.

See the response in full at: https://www.bankofengland.co.uk/paper/2024/responses-to-the-digital-pound-consultation-paper

ICO Targets Non-Compliant Advertising Cookies:

A Call to Action for Website Owners

The Information Commissioner's Office (ICO) is intensifying its efforts to ensure compliance with data protection laws regarding advertising cookies, targeting some of the UK's top websites.

In November, the ICO sent letters to 53 of the country's top 100 websites, cautioning them about potential enforcement action if changes were not made to align with data protection regulations.

The ICO report that the response was positive. Out of the 53 organizations contacted, 38 have already adjusted their cookie banners to comply with regulations.

Additionally, four organizations have committed to achieving compliance within the next month.

In line with data protection laws, websites are expected to offer users a fair choice in consenting to the use of advertising cookies or similar technologies.

Businesses that disregard these legal requirements will face consequences, as the ICO vows to extend its enforcement beyond the top 100 websites. The regulator is already gearing up to contact the next 100, and the 100 after that!

To speed up their work in this area, the ICO is developing an artificial intelligence solution that will help them identify websites with non-compliant cookie banners.

A 'hackathon' event scheduled for early 2024 will explore the practical implementation of this AI solution.

The ICO's advice to all organizations is clear: take proactive measures to achieve compliance now, before they come knocking.

With the ICO taking proactive steps to uphold data protection laws, it may be a good time for you to consider whether your website's cookie banners are compliant.

For guidance on the use of cookies, see: https://ico.org.uk/for-organisations/direct-marketing-and-privacy-and-electronic-communications/guide-to-pecr/guidance-on-the-use-of-cookies-and-similar-technologies/
See: https://ico.org.uk/about-the-ico/media-centre/news-and-blogs/2024/01/ico-warns-organisations-to-proactively-make-advertising-cookies-compliant/

AI Opportunity Forum members now appointed

AI continues to be high on the agenda in business and UK government policy.

Members for a new forum, ***the AI Opportunity Forum***, have now been appointed to help boost AI adoption amongst businesses.

Microsoft, Google, Barclays, and Vodafone are all included in the member ranks, with the first meeting to take place in February.

AI is a hot topic in business, but adoption is slow.

Estimates are that only one-in-ten organisations are currently fully prepared to roll out the technology.

Whether those promoting AI fully understand the reasons for slow adoption is unclear from the press release.

However, it is hoped that the new Forum will help to share best practice and identify measures businesses can adopt to improve their readiness for AI.

Talking about the Forum, Michelle Donelan, who is Technology Secretary, said: "We want to see organisations across the UK tapping into the transformative power of AI to boost their productivity, unlock new opportunities, and drive growth. The AI Opportunity Forum brings together our brightest minds from the worlds of AI and business to drive forward that effort."
See: https://www.gov.uk/government/news/business-and-tech-heavyweights-to-boost-productivity-through-ai

January 2024 Labour Market Overview highlights

The latest Labour Market Overview by the Office for National Statistics (ONS) showed the following highlights for the final months of 2023.

Vacancies decline yet remain above pre-COVID levels: The report reveals a continued decline in job vacancies, with the estimated number of vacancies in the UK decreasing by 49,000 in October to December 2023, marking the 18th consecutive quarterly fall.

However, despite this prolonged decrease, the current estimate of 934,000 vacancies remains above the pre-coronavirus pandemic levels.

Robust earnings growth: Annual growth in regular earnings (excluding bonuses) reached 6.6% in September to November 2023.

Simultaneously, the annual growth in employees' average total earnings, including bonuses, was 6.5% during the same period.

In real terms, accounting for inflation, total pay rose by 1.3% year-on-year, and regular pay saw a 1.4% increase.

Lowest working days lost due to labour disputes since May 2022:
The report highlights a significant drop in working days lost due to labour disputes in November 2023, totalling 69,000.

This marks the lowest number since May 2022. Notably, over half of the labour disputes that did occur were in the transport, storage, information, and communication industries.

Payrolled employees decrease in December 2023: Estimates of Payrolled employees in the UK for December 2023 show a decrease of 24,000 from the November 2023 figure, settling at 30.2 million. However, the number of Payrolled employees is well above pre pandemic levels.

Alternative employment estimates introduced: Due to increased uncertainty surrounding the ***Labour Force Survey (LFS) estimates***, the ONS have introduced an alternative series of estimates for September to November 2023. These figures indicate a 0.1 percentage point increase in the UK employment rate (16 to 64 years), bringing it to 75.8%. The unemployment rate (16 years and over) remained largely unchanged at 4.2%, while the economic inactivity rate (16 to 64 years) decreased by 0.1 percentage points to 20.8%.

What do these statistics mean for you?
The fact that job vacancies have decreased but the number of Payrolled employees has also dropped suggests that there has been an overall reduction in jobs available.

This may be further supported by the fact that while the unemployment rate has stayed unchanged, it is up on the year and remains higher than pre-pandemic rates.

With the tight economic climate, businesses may well be looking at their workforce and reviewing the value of certain roles, not replacing leavers, or even making some roles redundant.

This highlights the value of taking time to think strategically about your business.

While no one wants to make an employee redundant, an employee leaving does provide a trigger point for reviewing the requirements of a role.

Questioning whether a leaving employee needs to be directly replaced can open the door to savings, or to improving business processes and efficiency.

Strategic thinking about your business often starts with having a plan in place that you can regularly review.
See: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/january2024

Launch of 2024 Business Council

On 31st January 2024, the Prime Minister, Rishi Sunak, launched this year's Business Council.

The Council is comprised of leaders from FTSE 100 companies to small and medium-sized businesses. It will meet with the Prime Minister at Downing Street on a regular basis to share information.

Chief executives from businesses such as BT Group, Nationwide, Scottish Power, Unilever, Barratt Developments, ITV, Raspberry Pi, and Greggs, as well as many other firms, will represent their business on the Council.

The firms involved account for over 200,000 employees and cover a spread of industries across the UK.

It is hoped that the Business Council will help to bring a real-world perspective on how business is being impacted by the current economic climate, as well as look at how government and industry can work together.
For more information, see: https://www.gov.uk/government/news/2024-business-council-launched